

# THE ATLANTA ECONOMIC REVIEW

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## Who Is Unemployed And Why?

by

Mary H. Bowdoin\*

The words "all-time-high" have become familiar headlines. We are now experiencing greater prosperity than ever before. Industrial growth is phenomenal; wages are high; employment is at highest levels; new enterprises are being set into operation; older businesses are expanding at a remarkable rate. Yet in this "all-time-high", over 21,000 people in Georgia were compensated for unemployment during the mid-June week of this year. This group is about equal to the entire population of a city the size of Brunswick or Waycross. It does not represent total unemployment as some types of work are not covered by the Georgia Employment Security Law. Who, then, is without a job in the present period of prosperity and progress?

### THE JOBLESS

The week of June 11-16<sup>1</sup> of this year was studied for a limited cross section of the unemployed in Georgia. During that week the 21,225 beneficiaries of job insurance came from all major industries, but nearly three-fourths of them were from manufacturing. This comprehensive heading normally accounts for about one-half of all workers protected by job insurance. The disproportionate amount of unemployment contributed by manufacturing appears to have existed over the past decade. Over half of the unemployed were women. Women comprise a majority of total textile and apparel workers.

The following sequence shows by occupation and count the main unemployed groups:

Textile manufacturing .....	5,270
Apparel manufacturing .....	4,155
Food manufacturing .....	2,205
Transportation equip. mfg. ....	1,170
Lumber manufacturing .....	1,100
Building construction .....	895

An indicator of unemployment trends in Georgia

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1. All data for June 11-16 are derived from a sample study made by the Georgia Department of Labor.

in recent months is the record of first and final payments (by monthly totals) of unemployment compensation:

Month	First Payments	Final Payments
January .....	7,388	1,791
February .....	6,363	1,839
March .....	5,990	2,011
April .....	6,607	1,817
May .....	7,620	1,932
June .....	6,467	2,595

The fact that the number of final payments has been running consistently much below that of first payments indicates that the great majority of people without work have found other jobs before many weeks have elapsed, and, therefore, they have not drawn unemployment compensation for the full period for which they have been qualified.

A more comprehensive picture of the number out of work in Georgia in recent months is shown by the total number receiving unemployment compensation since the first of this year:

Month	Total
January .....	16,645
February .....	16,910
March .....	17,855
April .....	19,010
May .....	20,720
June .....	21,225

Incidentally, women have consistently comprised more than half of the number receiving compensation.

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**Textiles and Apparels:** These two industry groups have accounted for about three-fifths of all manufacturing unemployment in the last six months. The figure for the June week was 9,425, about the same as for May—9,565. It was an increase over the earlier months of the year: January—7,385, February—6,030, March—6,525, and April—8,225. The mid-year figures reflect the summer slump in these occupations. Men numbered 1,920 of the June figure, and women, 7,505.

About one-fifth of the total June unemployment figure, or 4,155 people, were from the apparel industry and over 3,700 were women. On visiting the local Employment Office, the writer was informed that women working in garment factories in the Atlanta area are of an average age of about 57. Much of this type work is done on order, and the women are used only when needed. A casual observation would be that these workers are not, as a rule, trained for or of a suitable age to find employment in other fields during slack periods.

Men are used in textile work more than in apparels, but, even so, women make up around three-fourths of the unemployed in this industry. Here, also, orders fluctuate from time to time, and the seasonal pattern is for mills to close down to some extent in the summers. This shutdown period has been longer than usual this year and there has been a reduction in working days per week in many mills.

**Food Products:** Manufacturing of food products showed the next largest unemployment, with 2,205 without work. Almost 85 per cent of the unemployed in food manufacturing were women.

**Transportation Equipment:** The transportation equipment manufacturing category had 1,170 on its unemployed register, nearly all being men. This was an increase of nearly 70 per cent over May and more than five times the number in January. A major portion of this may be attributed to the losses in auto assembly plants and other curtailed activity in the automobile line. A year ago the unemployment figure for transportation equipment was only 190. The automobile decline has been felt nationwide, and it has been reported that assemblies as of July 1 were 25.6 per cent behind last year's record mark. The advent of the new models later in the year is expected to relieve the situation to a large extent.

**Lumber:** The lumber industry has shown a steady increase in unemployment since January. There were 1,100 lumber manufacturing workers on the mid-June beneficiary list. Some of this unemployment may be attributed to the completion of a considerable amount of contract work. There were also personnel cuts in sawmills and planing mills.

**Construction:** Despite the high rate of building activity, there were 1,570 unemployed construction workers in June, nearly 900 of them from the build-

ing division. This is 1,000 fewer unemployed than in March.

**Trade:** The wholesale and retail industries contributed 2,425 to the unemployed total, three-fourths being women workers.

#### HOW MANY APPLY FOR JOBS?

The following table gives a comparison of job applications at state employment offices for May 1956 with May 1955 for selected items:

	May 1956	May 1955	Per cent change from May 1955
Active Job Applications on file			
(State) .....	52,880	62,115	-14.9
Men .....	28,826	36,183	-20.3
Women .....	24,054	25,932	-7.2
Initial Claims .....	16,462	11,945	37.8
Weeks Claimed .....	108,247	93,741	15.5

Source: Data obtained from *Georgia Employment Security Activities*, May 1956.

The decrease in active job applications in the last year is indicative of the present high level of employment. Though the number of initial claims and weeks claimed has increased, the former considerably, it should be remembered that the size of the labor force in Georgia has increased steadily, and more covered employees make possible more claims without indicating a real downtrend in employment. Figures for total employment covered by the Em-

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ployment Security Law for May 1956 are not yet published. However, in December 1955 covered employees numbered 658,801 as compared to 597,846 in January 1955, an increase of slightly more than ten per cent in an eleven months period. We may assume that an increase has taken place thus far in 1956.

The increase in initial claims over a year ago is due substantially to **partial** unemployment, which accounted for 4,216 of the initial claims of May 1956 and less than 2,000 in 1955. Partial unemployment also accounted for 16,514 of the weeks claimed in May 1956 as compared to 11,500 a year ago. The increase in partial unemployment compensation indicates greater fluctuations than usual in the seasonal patterns of some industries, more people being unemployed for part of the time.

#### FACTS FOR 1955

A summary sheet called "A Check on Georgia Job Insurance in 1955", distributed by the Department of Labor, gives some interesting information on unemployment in 1955. It states that 85 per cent of beneficiaries are white and 15 per cent are Negro. This is about the same proportion as that of white and Negro covered by the Employment Security Law. Two out of three people receiving any job insurance were able to find other work and were not unemployed for the full year's allowance of 20 weeks.

One-tenth of the beneficiaries were over 55 years of age and found it difficult to find new jobs. The Georgia law makes no age limit on benefits, requiring only that the claimant be able to work. During 1955 about three-fourths of all beneficiaries had worked regularly for one employer, showing their real attachment to the labor force. Mass layoffs, accounting for 21,098 unemployed workers and involving 150 employers, were due to high inventories, closing of plants, and calamities such as fires, drought, storms, etc. These latter are, of course, unpredictable and may produce unusual unemployment at any time.

#### THE NATIONAL PICTURE

In order to gain a better grasp of the facts about people out of work during a period of high level prosperity, the U. S. Department of Labor recently undertook a study of those drawing unemployment compensation this year.

For the week of April 8-14 the U. S. study showed that manufacturing, which embraces about 40 per cent of the covered workers, accounted for 53 per cent of the unemployment. (In Georgia, manufacturing embraces about 50 per cent of covered workers and currently accounts for approximately 75 per cent of the unemployment.) For the nation as a whole (and Georgia also) the chief sources of unemployment among manufacturing industries were apparel, automobile, food and textile mills. The seasonal upturn in unemployment during recent months among apparel and textile workers—a situ-

ation quite apparent in Georgia—was found to be true throughout the nation.

Second only to manufacturing as a source of unemployment, the construction industry—despite its high level of activity and the spring upturn—accounted for nearly one-sixth of total covered unemployment throughout the nation.

Contract construction, in spite of increased spring activities, represented 15.9 per cent of total covered unemployment. This was larger than any other single industry division. However, there was a bright spot in the picture; that is, the April unemployment figure was 78,000 less than for March, and 133,000 less than for February. Although there were fewer unemployed in construction in April than in the preceding months, there was a longer average duration of unemployment.

In general, Georgia's centers of unemployment are about the same as those for the nation: construction, textiles and apparels (with semi-skilled women predominating), the seasonal food industry, and the transportation equipment division. For the nation as a whole, however, roughly two out of three (about 65 per cent) of the unemployed were men, while in Georgia less than half (44 per cent) were men. This reflects the larger importance of textile and apparel employment in Georgia.

#### THE FUTURE UNEMPLOYED

Though Georgia, like the nation, is now enjoying a comparatively low unemployment rate, it may be expected that the seasonal variations of some occupations, principally some types of manufacturing in Georgia, will continue to contribute their disproportionate amount of unemployment. More and more the textile and apparel industries face the competition for the consumer dollar commanded by the housing, appliance, automobile and other industries whose products contribute to more luxury in living.

It is possible that the solution to the problem of seasonal unemployment lies in community planning. In 1955, eighty-eight of Georgia's counties had at least 500 people employed in manufacturing. Many Georgia towns are actively working toward the establishment of fill-in industries which would give their economy greater stability. In 1955 over \$5½ million was paid out in unemployment insurance to textile and apparel workers. This was over one-third of all job insurance paid. Not only was this amount spent on compensation, but these two industries represented 317,200 work-weeks lost from our State's economic production. The failure to utilize fully so large a segment of our labor force at so great an expense certainly warrants serious consideration.

The extent of employment or unemployment affects and concerns all who are privileged to enjoy the abundance of the American way, and the problem needs the constructive thinking of all.





## JUNE ATLANTA AREA ECONOMIC INDICATORS

ITEM	June 1956	May 1956	% Change	June 1955	% Change	% Change 1st Half '56 over 1st Half '55
<b>EMPLOYMENT</b>						
Job Insurance (Unemployment)						
Payments -----	\$269,633	\$295,705	-8.8	\$238,925	+12.9	-15.6
Job Insurance Claimants -----	4,269	4,318	-1.1	3,571	+19.5	-13.7
Total Non-Ag. Employment -----	328,850	327,750*	+0.3	315,000	+4.4	+6.6**
Manufacturing Employment -----	86,700	87,050*	-0.4	87,300	-0.7	+4.3**
Average Weekly Earnings, Factory Workers -----	\$70.84	\$69.52	+1.9	\$65.76	+7.7	+4.5**
Average Weekly Hours, Factory Workers -----	39.8	39.5	+0.8	40.1	-0.7	-1.0**
Number Help Wanted Ads -----	9,538	11,288	-15.5	9,181	+3.9	+9.6
<b>CONSTRUCTION</b>						
Number of Building Permits, City of Atlanta -----	870	950	-8.4	984	-11.6	-4.7
Value Building Permits, City of Atlanta -----	\$6,418,756	\$7,906,676	-18.8	\$6,458,461	-0.6	-20.7
Employees, Contract Construction	21,600	21,000*	+2.9	20,500	+5.4	+9.1**
<b>FINANCIAL</b>						
Bank Debits (Millions) -----	\$1,489.5	\$1,518.6	-1.9	\$1,427.8	+4.3	+8.3
Bank Deposits (Millions) (Last Wednesday) -----	\$1,073.1	\$1,044.6	+2.7	\$999.8	+7.3	+7.3
<b>POSTAL\$</b>						
Postal Receipts -----	\$1,354,616	\$1,563,735	-13.4	\$1,456,834	-7.0	+0.4
Poundage 2nd Class Mail -----	1,325,266	1,467,415	-9.7	1,325,310	-0.0	-1.0
<b>OTHER</b>						
Department Store Sales Index (Adjusted) (1947-49=100) -----	143	148	-3.4	139*	+2.9	+1.0
Retail Food Price Index (1947-49=100) -----	111.3	108.9	+2.2	111.0	+0.3	+0.3
Number of Telephones in Service	281,412	280,327	+0.4	260,157	+8.2	+8.2

\*Revised N.A.—Not Available.

†City of Atlanta only.

Sources:

All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor;

Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia;

Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S.

Department of Labor; Department Store Sales and Stocks Indexes: Federal Reserve Bank of Atlanta and Board of Governors,

Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.

\*Claimants include both the unemployed and those with job attachments, but working short hours.

\*\*Average Month



## Business Activity Continues At High Level

Construction in Atlanta moved along briskly during the first six months of 1956, with little indication of an early let up. On a quarterly basis, employment in contract construction, after seasonal adjustment, showed a continuance during the second quarter of 1956 of the slightly upward movement begun in the first quarter of 1954 and the general high level of activity since the first quarter of 1952. The average number employed climbed from 15,100 during the first five months of 1952 to 20,200 for the same period in 1956. It seems probable that building will continue at a high level, at least during the remainder of 1956, even though there may be some slackening during the last half.

June's 870 permits issued was a drop of about 12 per cent from June 1955, but the number issued during the first six months of 1956 was only five per cent less than the same period in 1955. Value of permits issued in June 1956 was \$6,418,756, one

per cent less than the same month last year, but the first half of 1956 was down 20 per cent from last year.

Unemployment in metropolitan Atlanta was estimated by the State Labor Department to be 8,750 in May 1956, 9.9 per cent greater than May 1955, but the May 1955 figure is only 2.2 per cent of the civilian labor force and the May 1956 figure is just 2.3 per cent.

The State Department of Labor's Employment Security Agency estimates that as of May 15th the civilian labor force stood at 382,450 persons, a 3.8 per cent increase over May 1955. Of this group 327,400 were non agricultural wage and salary workers. This category had increased 13,300 (4.2 per cent) in the five month period.

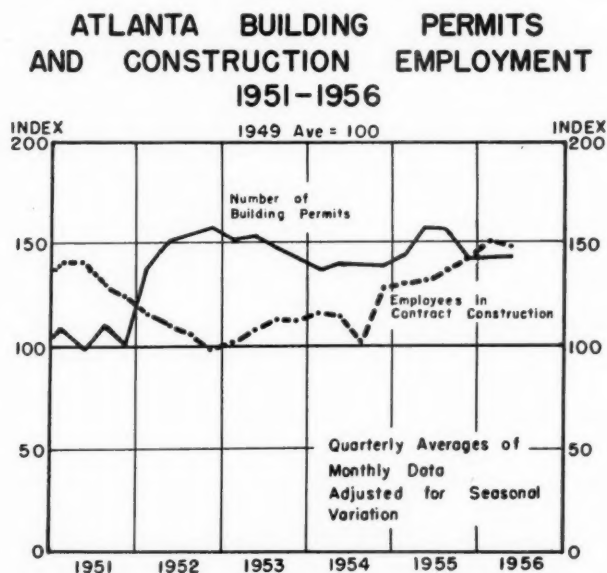
Some of the other significant changes in number employed by industry as reported by the Employment Security Agency are these:

Change from  
(May-May)  
55 56  
Losses

Manufacturing	
Durable	
Lumber and wood products	-50
Furniture and Fixtures	-150
Machinery	-100
Transportation Equipment	-50
Automobile Manufacturing	-1,300
Non-Durable	
Textiles	-200
Apparel	-600
Railroads	-200
Significant Gains	
Manufacturing	500
Durable	250
Non-Durable	250
Food	500
Contract Construction	2,050
Transportation, Communication and Public Utilities	2,950
Trade	3,850
Finance	1,150
Service	2,050
Public Schools and Hospitals	950

Perhaps of great significance is the fact that latest figures from paperboard box and container

(Continued on page 8)



Source: Building Inspectors Office, City of Atlanta, and Georgia Department of Labor, Employment Security Agency.

# The Small Business: Prime Target For Embezzlement

by

Tommy P. Hall\*

Could fraud occur at your firm? Probably the average small businessman laughs, leans back in his chair and exclaims, "I know my business; it couldn't happen to me." Yet, it not only could happen, but does happen to hundreds of small and medium-size businesses every year. It is estimated that losses to business and industry, including banking, in North America annually exceed 400 million dollars through various types of employee dishonesty, chiefly embezzlement. It is estimated that there are approximately 500 cases of fraud per working day amounting to an annual cost of \$1,500,000.

What is meant by the term "embezzlement"? Embezzlement is literally fraudulent appropriation of property by a person to whom it has been entrusted, as of an employer's money by his clerk, or of public funds by the officer in charge. Embezzlement is a crime defined by the statutes of various states and is found in common law. Embezzlement, by its very nature, is different from and should not be confused with larceny which covers outright theft by a third party.

The small businessman occupies a curious position as to vulnerability to embezzlement. On the one hand, by being small, with personal supervision of his business, the entrepreneur can often exercise absolute control over his business. The larger businesses have to delegate authority and exercise long-range control over employees. On the other hand, this fact of being small often tends to make a firm vulnerable to embezzlement because the entrepreneur has a false sense of security. The truth of the matter is that the larger the business, often the more attention is paid to detail and control, thus lessening the chances of successful embezzlement.

Actually the small business which employs from one to ten people is a prime target for the embezzler for two reasons. First of all, the general lack of adequate control features provides relative freedom of action for the embezzler, and, secondly, there is less chance of being brought to trial if caught. Tragic as it may seem, most embezzlers of small business firms are, upon discovery, simply discharged with no legal action being brought against them, particularly if the sum involved is relatively small in amount.

What are the personal characteristics of the em-

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bezzler? Can he be spotted? Is he different from the average man on the street? According to agencies familiar with the problem of fraud, the typical embezzler is not a contrast to the "average man." In fact, he coincides so nearly with the average man that one cannot tell him apart. The typical embezzler, according to one company survey, is about 36 years old with a wife and two children. He is usually a high school graduate, active in community affairs, and generally considered above suspicion by management. In fact, often the embezzler is regarded affectionately by his employer as "one of my most trusted employees"—that is, until the damage is done. His reasons for embezzlement are many and varied. The following is a typical list as accumulated by the United States Fidelity and Guaranty Company: loss of savings, reduction in income, accumulated or foolishly acquired debts, living beyond his means, the "other woman," excessive drinking or gambling, an ill, nagging or extravagant wife, or sick children. In addition to the above, an employee may embezzle to begin with out of "spite" or just simply for the "thrill." Regardless of the reason why an employee commits fraud, he does it with the erroneous belief that he is "clever" and can prevent discovery. Often he intends to replace the loss, but true to the old adage of "the best intentions of mice and men," the end result usually is that having once started, he is unable to stop.

## TYPICAL METHODS OF EMBEZZLEMENT

Before consideration can be given to control of embezzlement, attention should be given to some of the more common areas in which a small business is susceptible to embezzlement. Some of the more common areas are as follows:

### I. Manipulation of Cash Receipts and Disbursements.

#### A. Cash Receipts

1. Failure to record receipts on the book or register tapes, thereby pocketing the customer's cash.
2. The taking of cash or checks received by mail in payment of customer's account.
3. The entering of sales on the books but later altering the sale by fraudulent book entries. (This method is not as common in the smaller businesses as the first two.)
4. Other possible areas in connection with cash receipts are pocketing proceeds re-



ceived from sale of damaged merchandise, scrap, or possible recoveries of bad debts.

#### B. Cash Disbursements

1. The inflation of purchases and other expenses above the actual amount and pocketing the excess over the actual expenses.
2. The alteration or the making up of "fake" petty cash vouchers. (Some companies lose hundreds of dollars through this medium.)
3. The falsification or alteration of checks drawn against the general bank account.
4. Actual taking of money out of unprotected cash or petty cash drawers. (This could be done by any employee whether he ever actually received cash from customers or not.)
5. Payrolls. (These offer very fertile grounds for manipulation among small as well as larger companies.)

#### II. Other Possible Areas of Fraud.

- A. Unlawful taking and sale of inventory items. (Even small amounts of seemingly unimportant sundries such as candy, etc. can over a year's time amount to five or six hundred dollars.)
- B. Coalition with third parties such as the giving of unlawful sales discounts or simply omitting any record of the sales.

#### HOW TO PREVENT FRAUD

There are two general ways in which possible embezzlements can be stopped or at least cut to a minimum. These are through the use of sound employment and personnel policies and thorough internal control. Each of these will be taken up separately.

Sound employment policies cannot be over-emphasized. The more thoroughly a prospective employee is scrutinized before being hired, the better the opportunity to weed out poor risk applicants before embezzlement can occur. Question the applicant as to his reasons for applying for the job, ask him about his home life, and ascertain whether his financial affairs are relatively sound. Often a person's character can be judged fairly accurately by a simple fifteen or twenty minute interview. Far too many small businessmen hire employees without any consideration of their background. Credit reports can also be had on prospective employees at a very small cost. A credit report need not be obtained on every applicant; only the applicants who have had favorable interviews need to be investigated further.

Once an employee has been hired, the employer should show him his job, tell him the extent of his duties and to whom he is responsible, if other than the owner or manager. This is essential because

an employee who is confused about the status and duties of his job often becomes bitter and dissatisfied. The employer should strive to maintain good employer-employee relations at all times. Often a little foresight on the part of the employer can prevent embezzlement before it has a chance to rear its ugly head.

Adequate internal control techniques should be utilized by the small business. Internal control can be broadly defined as a system of checks and balances which is designed to prevent a single person from committing fraud. Under a good system, each employee's work must be checked by another, thus forcing collusion between two or more employees before fraud can be committed. The following are some elementary techniques necessary for internal control:

1. Utilize a cash register if possible. This will necessitate the recording of sales and can be utilized in connection with receipts to customers, thus providing a double check.
2. Give customers prenumbered receipts of all sales if a cash register tape system is not in use.
3. Upon close of business for the day, collect all receipts from cash drawer and deposit in the bank intact. Do not make cash payments out of receipts.
4. Make all cash disbursements by check and only after becoming completely satisfied as to the authenticity of the item in question.
5. In connection with the payments by check, only the manager or owner should control the disbursements.
6. In case the need arises, a petty cash system should be utilized for small miscellaneous disbursements.
7. Keep as strict a check on inventory as time permits. The causes for unaccounted losses should be examined thoroughly.
8. Segregate duties in order that the cashier or clerks have no access to the books.
9. If outside deliverymen are used, bill the customer and see that either the bill has been collected or a reasonable explanation has been offered, such as the customer's changing the amount. Under no conditions allow the outside salesman or deliveryman to have access to the books.
10. If employees refuse to take vacations, ascertain their reasons. The employee may be committing fraud and be afraid of discovery if someone takes over his duties.

Insurance is another of the ways in which a businessman should seek to protect himself against possible embezzlement. At a very small cost, insurance companies can provide crime loss protection which will indemnify the business for all tangible loss from criminal action covering everything from burglary

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to wanton property destruction. In addition to the above protection, various companies also employ trained representatives who know the businesses and make recommendations as to proper internal control procedures. Insurance companies also offer competent legal counsel once a crime has been committed, thus relieving the employer of the responsibility.

There are certain procedures which should be followed once fraud or suspected fraud has been discovered. One should not resort to the impulse of demanding immediate arrest. This course of action should never be followed since there are many inherent dangers such as the possibility of error, leaving the businessman wide open for suit for false arrest or slander. In general, the small businessman, upon discovery of fraud, should contact his accountant and lawyer and proceed further only upon competent legal advice. Never simply fire the suspected embezzler, thus giving him the opportunity once more to prey upon society.

The Certified Public Accountant also plays an important role in the prevention and detection of fraud. The accountant is an expert in his field and stands ready to give the full benefit of his experiences when called upon. There are many small practitioners who are willing and able to serve the small business for only a nominal fee. Far too few small businesses, however, avail themselves of the services of the C.P.A. until it is too late. Not only is the C.P.A. able to suggest adequate measures of internal control, but often the very fact that an annual audit is being performed serves as a strong deterrent against dishonesty.

In conclusion, the ultimate responsibility for the prevention of fraud lies with the owner or manager. It should be remembered that embezzlements like other crimes can be curtailed provided management will accept its responsibility. As "Eternal vigilance is the price of Liberty" so is it the price for prevention of fraud.

#### BUSINESS ACTIVITY (continued from page 5)

manufacturers in the Atlanta area show increased activity in that industry. Both number of employed and amount of overtime increased during the March to April period. This industry is something of a harbinger of important changes in the trend of the economy. The degree of activity in the paperboard industry is a good reflection of the economic climate businessmen expect in the months ahead. Containers are usually purchased in advance for goods to be manufactured and shipped in the future. It follows then that high activity in the paperboard industry means confidence in the future.

Department store sales, after seasonal adjustment, continue to run at near record heights. Though still marked by moderately severe fluctuations from month to month, the trend seems to be steady to slightly upward. Retailers are continuing to resort to frequent special sales to bolster turnover of merchandise, and the public, apparently with as much to spend as ever, is responding.

The Federal Reserve Bank of Atlanta reports that bank debits for the month of May totaled \$1,518,600,000. This figure is 6.4 per cent greater than May of 1955. The first five months of 1956 showed a 9.1 per cent increase over the same period in 1955. (The bank debits series is widely used in the analysis of local economies, particularly as an indicator of changes in the volume of local trade. It is quite sensitive to cyclical changes and figures for the nation follow very closely changes in gross national product. Care must be exercised, however, in its interpretation. Especially, care should be taken not to interpret the debits figures as representing the volume of goods and services produced, since raw materials costs, as well as the finished product and all cost between, are included. These data are the total of all debits to demand deposit accounts at local banks, i.e., of all checks written in payment for goods and services. Government accounts and interbank accounts are excluded).